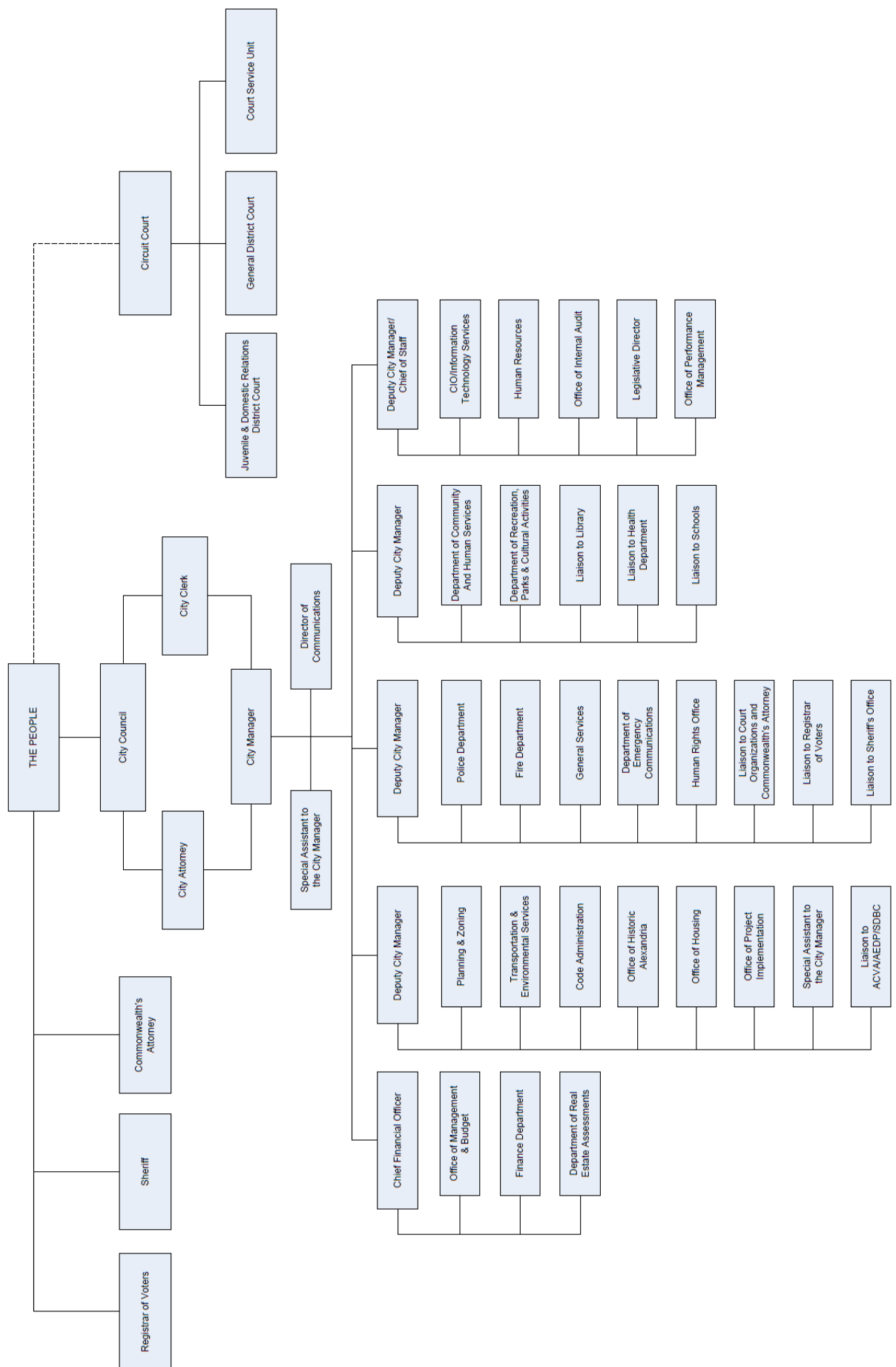


# **Understanding the City's Operating Budget**

# City of Alexandria



# Understanding the Budget

The City's budget serves as the blueprint for the financial and policy decisions that City Council will implement during the fiscal year. Budgeting is necessary for several reasons.

## FISCAL PLAN

First, the budget is a fiscal plan. Budgeting provides estimates of the costs that will be incurred if activities are carried out as planned; the revenues necessary to finance these activities; and the rates of taxation necessary to generate these revenues. The appropriation ordinance adopted by the City Council establishes the legal authorization for the expenditure of public monies and becomes the approved financial plan for the upcoming fiscal year.

## POLICY DOCUMENT

Second, the budget is a policy and management tool. The budget process provides an opportunity for the City Manager, department directors and agency heads to evaluate the City's services and recommend the best means of allocating resources to prioritize and provide effective and efficient services. As a management tool, the budget serves to establish accountability for the effective and efficient operation of programs and activities and to locate responsibility for the delivery of City services. Beginning with City Council's establishment of a long-term vision and a set of major goals for the City of Alexandria, combined with a public hearing to gather citizen input in October and an economic outlook of the City presented by staff in December, continuing through the adoption of the FY 2014 budget on May 6, 2013, the budget process weighs short and long term objectives of stakeholders against the available financial resources.

## OPERATIONS GUIDE

The budget describes the activities, services and functions carried out within each organizational unit. Every Department within the City is characterized by Programs and Activities and includes both financial and personnel resources necessary to carry out the functions of the government. Programs and activities within each department provide a map detailing what each department does with their resources, for whom these activities are undertaken and why. Performance data are associated with each activity and help to measure each activity in terms of output, effectiveness and quality.

## FY 2014 Budget Planning

On January 8, 2013, City Council passed a resolution establishing the budget guidance for the entire General Fund budget. The guidance allowed for a City operating budget to be built based on any increased operating or capital project expense being demonstrated as necessary to meet the strategic goals and objectives of the City, and/or demonstrated to diminish a specific risk to the community. The budget was also to incorporate a transfer to the Schools budget that may vary from the FY 2013 approved appropriation specifically to address anticipated changes in student enrollment. The guidance was based on preliminary forecasts of revenues, expenditures, and capital needs presented at the City Council work session on December 11, 2012. City Council also directed the City Manager to consider other taxes, fines, fees and charges, as well as reductions in programs and activities through efficiencies and reduced service levels, as necessary in order to propose a balanced budget.

The allocation of all resources are based on the following seven Strategic Plan goals:

- Alexandria has quality development and redevelopment, support for local businesses and a strong, diverse and growing local economy.
- Alexandria respects, protects and enhances the health of its residents and the quality of its natural environment.
- Alexandria has a multimodal transportation network that supports sustainable land use and provides internal mobility and regional connectivity for Alexandrians.
- Alexandria is a caring community that supports and enhances the well-being, success, and achievement of the City's residents.
- Alexandria is financially sustainable, efficient, community oriented and values its employees.
- The City protects the safety and security of its residents, businesses, employees and visitors.
- Alexandria is an inclusive community and one that values its rich diversity, history and culture.

# Understanding the Budget

These objectives were coupled with existing policies and guidelines for developing the budget, including the City's Compensation Philosophy and the Debt-related Financial Policies. These other policies are described below.

## **Other Continuing Policy Guidance and Planning**

**Strategic Planning Process:** The City Council Strategic Planning Process has provided the most significant impact on the City's budget process in FY 2014. In June 2010, City Council adopted its Strategic Plan, following nearly a year of collaboration and partnership with the Alexandria community. The City Council has directed that City staff consider the Strategic Plan when developing, implementing and reviewing the delivery of public services, and in presenting requests for fiscal resources. The approved Strategic Plan is available on the City's website at <http://alexandriava.gov/uploaded/Files/council/info/ApprovedStrategicPlan.pdf>.

**Debt-Related Financial Policies:** The City Council's debt-related financial policies, which guide decision-making throughout the annual operating and capital budget development cycle, are printed in the Capital Improvement Program (CIP) Related Information section of this document, and the City's Approved FY 2013 to FY 2022 Capital Improvement Program (CIP) is consistent with these policies.

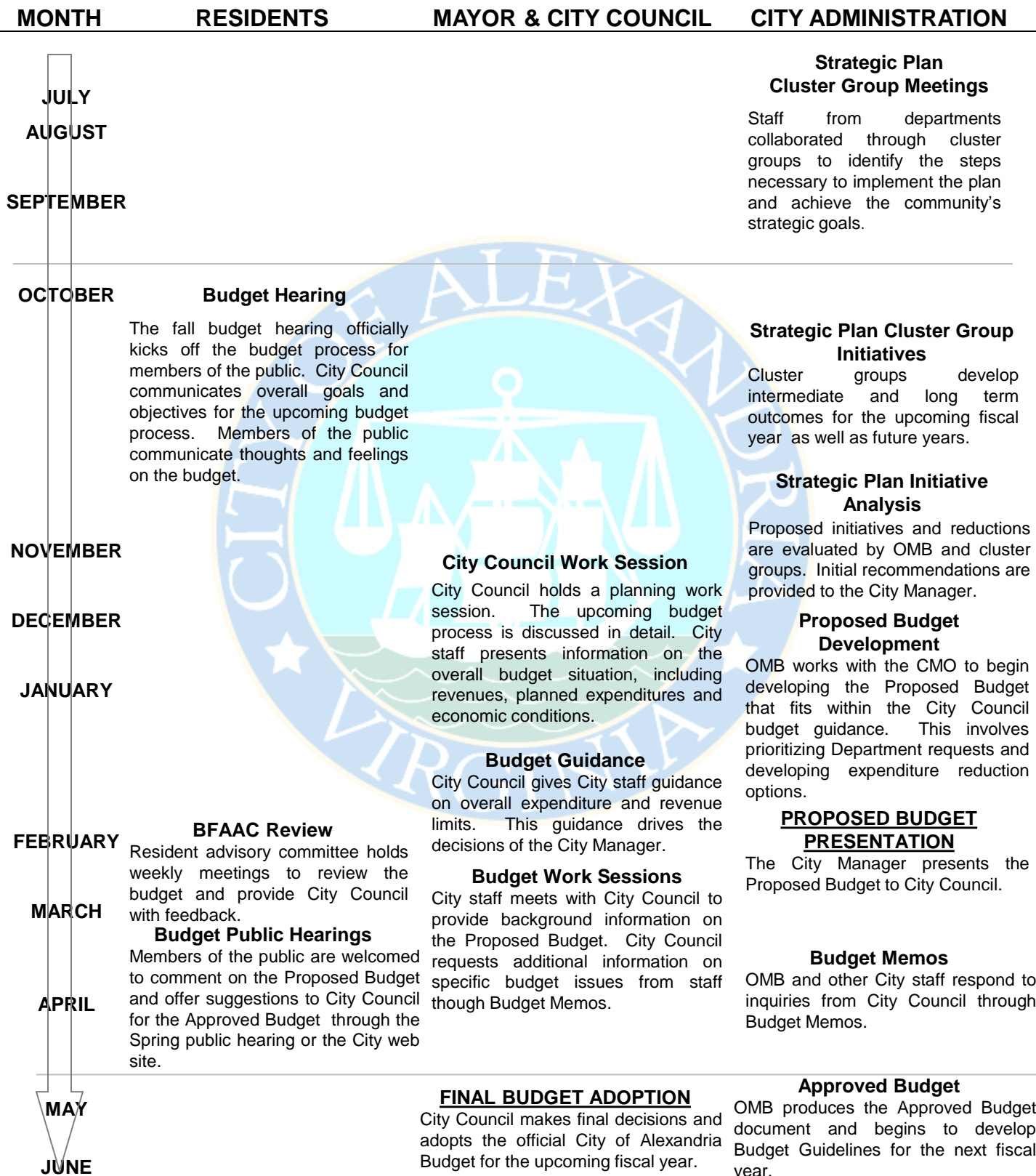
**Compensation Philosophy:** On June 22, 2010, City Council adopted the City of Alexandria's Compensation Philosophy, which is intended to provide a broad framework to help City Council, management, employees and the citizens understand and guide decisions that affect City employee pay. The Compensation Philosophy is printed in the Appendices section of this document. Approved FY 2014 employee compensation adjustments are recommended based on the guidance provided by the Compensation Philosophy.

**Youth Policy:** The Youth Policy Commission was established by City Council in 1997 to emphasize delinquency prevention and to target activities that effectively promote positive outcomes for youth and support families through optimal use of existing funds, development of new resources and engagement of the community. Initiatives that require new or reallocated funding are proposed in the annual budget process and the Commission monitors success in achieving goals for youth through a biennial Community Report Card.

The chart on the following page identifies the budget process as it relates to the various stakeholders in the City.

# Understanding the Budget

## City of Alexandria FY 2014 Budget Process



## **Organization of the Budget Document**

In addition to presenting the City's financial plan, the budget document is intended to be a resource and reference guide, providing information on City programs and services. The budget document has been divided into two volumes: one containing the Operating Budget document and the other containing the Capital Improvement Program document.

- The Operating Budget document groups City operating departments together by general government program areas, using the program categories defined by the Auditor of Public Accounts for the Commonwealth of Virginia (APA) as a guide. This organization is offered to assist the public in gaining an understanding of the total resources provided in a particular program area.

Section I contains the Table of Contents. Section II includes the City Manager's Message. Section III is the "Community Profile," which provides a description and basic statistical information on the City. Section IV describes the performance and outcomes of City Programs and Activities, their relation to the City's Strategic Plan and the impact they have on the budget process. Section V provides the reader with a guide to understanding the budget. Sections VI through X include multi-year revenue and expenditure forecast scenarios revenue and expenditure summaries, various charts and schedules that provide overall information on the City's finances, personnel summaries and fund balance information.

Sections XI through XIX present budget information for each department. The major elements in these sections are described at the end of this section.

Section XX provides an overview of the Capital Improvement Program (CIP), its impact upon the operating budget and an explanation of the City's debt ratio policies. Section XXI provides a glossary of relevant budget terms.

Section XXII includes the legislative references and charter provisions relating to the budget. Section XXIII is comprised of Appendices, which include the salary schedules and classification structures applicable to the City government as well as the Alexandria Compensation Philosophy.

- The Capital Improvement Program document describes each capital project that the City plans to undertake over the next ten years. This description includes a justification for each project, the priority assigned to the project and the estimated impact of each capital project on the City's budget throughout the six-year period. (Detailed information on individual school capital projects is presented in the Alexandria City Public Schools 2014-2023 Capital Budget, available from the Office of the Assistant Superintendent for Administrative Services, 2000 North Beauregard Street, Alexandria, Virginia.)
- The Information Technology Plan describes the City's commitment to building and maintaining an essential information and technology infrastructure. The plan will enhance information technology services and build on existing City hardware, networks and software that have been implemented over the past decade.

## **Budget Amendments**

During the fiscal year, the approved budget can be amended by either the reappropriation ordinance (generally in November) or the supplemental appropriation ordinances (generally two or three times during the fiscal year). A reappropriation ordinance allows encumbered monies from the previous fiscal year to be recognized in the current fiscal year. These encumbered monies are specifically identified within the previous fiscal year's Comprehensive Annual Financial Report (CAFR). A supplemental appropriation ordinance amends the budget for grant programs to reflect actual revenue received and to make corresponding balancing adjustments in grant program expenditures. A supplemental appropriation also amends the budget for duly docketed City Council items during the fiscal year that increase or reduce the current fiscal year appropriation. A supplemental appropriation ordinance may, therefore, either increase or reduce the City's total budget from the original approved budget appropriation.

# Understanding the Budget

The approved budget may also be amended by City Council at the end of the fiscal year via a resolution to transfer appropriations to adjust the various departmental accounts according to projected final expenditure patterns. The transfer of appropriations has no net impact on the aggregate approved budget amount but rather enables the Council to adjust the budget of a given department for unanticipated expenditures.

Budget transfers within a department may be approved by the City Manager, as discussed in the following section on Budgetary Accounting.

## **Budgetary Accounting**

The City's financial operations are budgeted and accounted for in a number of "funds." A fund is an independent fiscal and separate accounting entity, with a self-balancing set of accounts including revenues and expenditures, assets and liabilities. Separate funds that have been established by the City include the following: General Fund, Special Revenue Fund, Capital Projects Fund, Internal Services Fund and the Sanitary Sewers Enterprise Fund. The Funds are described in detail in the Fund Balance Section.

All tax revenues and most other revenues -- with the notable exception of State and federal grants -- are budgeted and accounted for in the General Fund. Likewise, all expenditures funded by General Fund revenues are budgeted as direct General Fund expenditures.

This "direct" treatment of expenditures is a concession to a more informative budget presentation. Technically, certain expenditures funded by General Fund revenues -- specifically, grant matches and the City appropriation to the Alexandria City Public Schools -- are accounted for as "transfers out" of the General Fund, "transfers in" to Special Revenue Funds and "expenditures" of Special Revenue Funds. Conceptually, however, these are expenditures of General Fund revenues.

In contrast with the accounting for private enterprises, where the primary focus is the calculation of profits and losses, governmental accounting is directed toward expenditure control and budgetary compliance. The accounting system's budgetary control function is accomplished by incorporating budgetary accounts into fund ledgers and recording appropriations -- expenditure authorizations adopted by City Council. All appropriations are legally controlled at the department level for the General Fund and Special Revenue Funds.

Budgets are prepared for the Capital Projects Funds on a project basis that cover the life of the project. The Internal Services Fund is controlled at the total Net Assets level.

Appropriations are administratively controlled at the "character" level of expenditure -- personnel, non-personnel and capital outlays -- reflected in the budget document. The City Manager may, at any time, transfer any unencumbered appropriation within the budget of an office, department or agency. Transfers of appropriations between expenditure characters within the same department or agency budget must be approved by the City Manager (or designee). Budget detail pages, showing the budget at the "sub-object" level are available for inspection during business hours in the Office of Management and Budget.

The City's budget follows the same basis of accounting used in preparation of the City's audited Comprehensive Annual Financial Report (CAFR), which is prepared in accordance with "Generally Accepted Accounting Principles" (GAAP) as promulgated by the Governmental Accounting Standards Board (GASB) and the Auditor of Public Accounts of the Commonwealth of Virginia (APA). The budgets of the General, Special Revenue and Capital Projects Funds are prepared on the "modified accrual" basis of accounting. Under this method of accounting, revenues are recognized in the period that they become measurable and available. With respect to real and personal property tax revenue and other local taxes, the term "available" is limited to collection within forty-five days of the fiscal year-end. Federal and State reimbursement-type grants are recorded as revenue when related eligible expenditures are incurred. The budget and financial statements of the Proprietary Funds are presented on the accrual basis of accounting. Under this method of accounting, revenues are recognized when earned and expenses are recorded when liabilities are incurred without regard to receipt or disbursement of cash.

# Understanding the Budget

## Finance Department

The MFRI process requires every department to have an overall Mission Statement. This appears at the top of the first page of each department section.

**Mission Statement:** The mission of the Finance Department is to ensure the City's financial health through effective expenditure control, reliable and equitable revenue collection practices, sound cash and debt management policies, and responsible accounting, purchasing and pension administration practices.

## Expenditure and Revenue Summary

Expenditure By Classification	FY 2012 Actual	FY 2013 Approved	FY 2014 Approved	% Change 2013-2014
Personnel	7,330,718	8,272,770	8,782,548	6.2%
Non-Personnel	4,142,837	3,064,918	2,979,785	-2.8%
Capital Goods Outlay	0	26,185	26,185	0.0%
<b>Total Expenditures</b>	<b>\$11,473,555</b>	<b>\$11,363,873</b>	<b>\$11,788,518</b>	<b>3.7%</b>
<b>Less Revenues</b>				
Internal Service				
Special Revenue Fund				
<b>Total Designated Funding Sources</b>				
<b>Net General Fund Expenditures</b>				
<b>Total Department FTE's</b>	<b>90.5</b>	<b>91.5</b>	<b>92.5</b>	<b>1.1%</b>

The expenditure and revenue summary table breaks down total expenditures by personnel, non-personnel, and capital outlay costs. Revenues are also described by type. The bottom expenditure line shows the net result on the General Fund for each department. This table also displays the total department FTE's by year.

## Highlights

- In FY 2014 the General Fund budget increases \$363,350 or 3.4%.
- In FY 2014 personnel costs increase by \$509,778 or 6.2%. This is due to the addition of a new Compliance Officer position, anticipated to increase City revenue by at least \$140,000 from delinquent tax collection, which exceeds the cost of the position. Additional increases resulted from the reclassification of several positions to reflect an expansion in responsibilities and to address internal and external salary inequities in compensation when compared to the market. The increase is also attributable to employee step adjustments, decreased pension contributions, and a 1% shift in the VRS contribution rate from the employer to the employee.
- Non-personnel costs decrease by \$85,136 or -2.8%. The City has eliminated a parking adjudication contract (\$134,580). The remaining responsibility will be shifted back to the General District Court. This decrease is partially offset by three current service adjustments: \$10,044 in publication and outreach materials for the Pension Administration Division; \$21,291 for the department's share of the maintenance cost of the new Enterprise Resource Planning (ERP) system; and a \$13,958 increase in lease agreements.
- The increase in the Special Revenue Fund will support the increases associated with benefit cost increases and the 1% shift in the pay scale described above for those employees who are funded by the City's pension plan (individuals who are responsible for plan administration).

The department highlight section contains a brief overview of overall changes to a department's budget.



# Understanding the Budget

## Finance Department

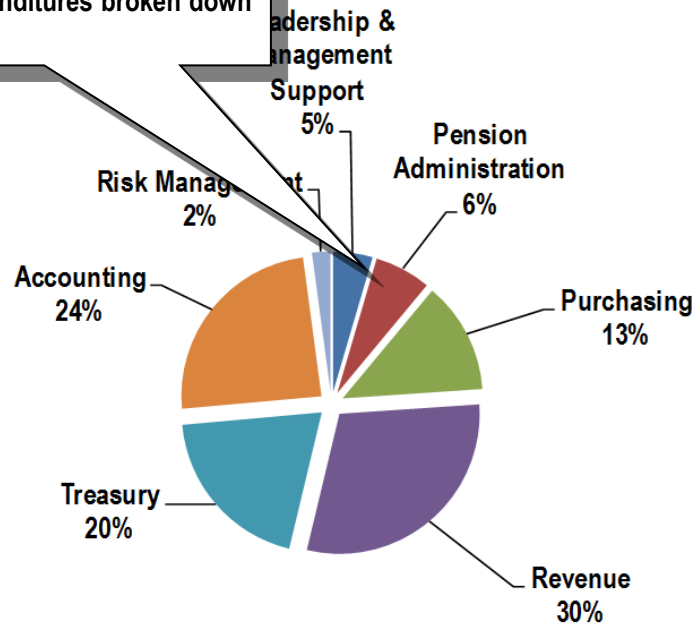
### Selected Performance Measures

Selected Performance Measures	FY 2012 Actual	FY 2013 Approved	FY 2014 Approved
Bond ratings achieved with each bond issue	AAA/Aaa	AAA/Aaa	AAA/Aaa
% of compliance with City adopted debt policies in last fiscal year	100%	100%	100%
Overall collection rate for current year taxes	99%	99%	99%
% of GFOA standards met in fiscal reporting	100%	100%	100%

The Selected Performance Measures table displays a collection of departmental measures deemed most relevant or interesting.

### FY 2014 Approved Expenditures by Program

The expenditure summary pie chart shows total department expenditures broken down by program.



# Understanding the Budget

## Finance Department

### Program Level Summary Information

#### Expenditure Summary

Expenditure By Classification	FY 2012 Actual	FY 2013 Approved	FY 2014 Approved	% Change 2013-2014
Leadership and Management Support				13.7%
Pension Administration				17.3%
Purchasing				56.5%
Revenue				-2.9%
Treasury	2,312,455	2,366,472	2,336,255	-9.7%
Accounting	2,691,144	2,923,136	2,864,153	-2.0%
Risk Management	332,539	137,965	250,118	81.3%
<b>Total Expenditures</b>	<b>\$11,473,555</b>	<b>\$11,363,873</b>	<b>\$11,788,518</b>	<b>3.7%</b>

The expenditure summary table shows total department expenditures broken down by program.

#### Staffing Summary

Authorized Positions (FTE's) by Program	FY 2012 Actual	FY 2013 Approved	FY 2014 Approved	% Change 2013-2014
Leadership and Management Support	2.8			18.9%
Pension Administration	3.0	6.0	6.0	0.0%
Purchasing	8.0	8.0	11.2	39.4%
Revenue	37.3	35.7	33.1	-7.2%
Treasury	17.5	17.5	17.3	-1.4%
Accounting	19.5	20.7	19.7	-4.8%
Risk Management	2.5	1.0	2.2	126.3%
<b>Total full time employees</b>	<b>90.5</b>	<b>91.5</b>	<b>92.5</b>	<b>1.1%</b>

The staffing summary table presents each department's FTE count by program.

Final Departmental Listing	Dept Info
<b>Leadership &amp; Mgmt Support</b> Leadership & General Administration <b>Pension Administration</b> Pension Investment Retirement Plan Administration <b>Revenue</b> Business & Personal Property Tax Assessment Delinquent Tax Collection Tax Audit, Research & Analysis Taxpayer Assistance/ Collections Relations <b>Purchasing</b> Purchasing	<b>Department Contact Info</b> 703.746.3900 <a href="http://alexandriava.gov/finance/">http://alexandriava.gov/finance/</a> <b>Department Head</b> Laura Triggs, CPA, Chief Financial Officer 703.746.3900 <a href="mailto:laura.triggs@alexandriava.gov">laura.triggs@alexandriava.gov</a> <b>Department Staff</b> Debbie Kidd, JD, Dep. Dir. of Finance - Revenue Ray Welch, Comptroller Steven Bland, Retirement Administrator David Clark, Assistant Dir. of Finance - Treasury Stephen Taylor, Acting Purchasing Agent

Each departmental section contains a complete listing of programs and activities.

The department information area provides the name and contact information for the department head as well as the names of key department staff

# Understanding the Budget

## Finance Department

Each individual Program section starts with the goal statement.

### Revenue Program

The goal of the Revenue Program is to accurately, reliably and equitably assess and collect taxes, and enforce taxpayer compliance in order to maximize city revenues.

Program Totals	FY 2012 Actual	FY 2013 Approved	FY 2014 Approved
% Total All Funds Budget	28.0%	31.8%	29.8%
Total Expenditures	\$3,210,115	\$3,619,383	\$3,515,053
Less Revenues	\$814	\$73,778	\$75,566
Net General Fund Expenditures	\$3,209,301	\$3,545,605	\$3,439,487
Program Outcomes			
Total tax revenue generated for the City			\$17,944,045

The table immediately following the program goal contains total Program expenditures and revenues, as well as a program outcome performance measure.

#### Activity Data

**BUSINESS & PERSONAL PROPERTY TAX ASSESSMENT** – The goal of Business & Personal Property Tax Assessment is to identify tax basis and accurately and uniformly assess the appropriate tax in order to maximize City revenues.

	FY 2012 Actual	FY 2013 Approved	FY 2014 Approved
Expenditures	\$1,361,713	\$1,551,754	\$1,519,921
FTE's	15.4	14.6	13.3
# of tax transactions processed	1,885,596	1,954,529	1,923,308
Cost per tax transaction processed	\$0.72	\$0.79	\$0.79
% of tax assessments processed by due date	100%	100%	100%

**DELINQUENT TAX COLLECTION** – The goal of Delinquent Tax Collections is to collect delinquent taxes in order to reduce the outstanding tax balance and increase the City's general fund revenue.

	FY 2012 Actual	FY 2013 Approved	FY 2014 Approved
Expenditures	\$655,773	\$647,429	\$641,906
FTE's	7.09	6.49	6.42
# of demands for payment action sent	164,552	173,608	167,843
Cost per demand for payment action			\$3.82
% of delinquent tax collected annually			97.0%

**TAX AUDIT, RESEARCH & ANALYSIS** – The goal of Tax Audit, Research and Analysis is to ensure that all business tax returns are filed accurately and to identify unregistered businesses in order to maximize City revenues and taxpayer compliance.

	FY 2012 Actual	FY 2013 Approved	FY 2014 Approved
Expenditures	\$289,182	\$289,182	\$289,182
FTE's	4.3	3.5	2.7
# of tax accounts reviewed/audited	89,572	99,811	91,364
Costs of tax accounts reviewed/audited	\$3.38	\$3.56	\$3.17
\$ amount of revenue generated from audits and compliance activity	\$1,254,716	\$1,200,000	\$1,320,000
Ratio of audit and tax compliance expenses to revenue generated from audits and compliance activities	24.1%	29.6%	21.9%

Each Activity within a Program has its own table that contains total expenditures, FTE counts, and Activity performance measures for output, efficiency and service quality. These tables also include the Activity goal statement.

# Understanding the Budget

## Finance Department

### Summary of Budget Changes

Adjustments to Maintain Current Service Levels		
Activity	Adjustment	FY 2014 Approved
<p>The Summary of Budget Changes section contains descriptions of any base budget adjustments to maintain current services, supplemental adjustments, expenditure reductions and fee increases.</p> <p>This is an increase of \$2,176 from the previous amount spent (\$147,176) on the Performance Accounting, Performance Asset Management, and eProcure systems, which will now be spent for the Finance Department's share of the new Enterprise Resource Planning system.</p>	tion and Outreach Materials.	\$10,044
	the Pension office.	
	ERP System Maintenance	\$21,291

### Supplemental Adjustments

Activity	Adjustment	FY 2014 Approved
Delinquent Tax Collections	Creation of New Position to Improve Tax Compliance for Self-Reporting Taxes	1.0 FTE \$69,345
<p>With the addition of a new Compliance Officer position the department will be able to address non-compliant businesses and residents and reach out to educate and bring them into compliance. This is anticipated to increase self-reporting tax collections.</p>		

Each adjustment to the budget contains a brief description and explanation. These tables also display the total value and the Activity to which the adjustment applied.

### Expenditure Reductions

Activity	Reduction	FY 2014 Approved
Parking Adjudication	Shift of Costs to Courts	(\$134,580)
<p>This reduction will eliminate the current parking adjudication contract. Going forward all parking ticket disputes will be taken to the General District Court for consideration.</p>		

# Understanding the Budget

## FY 2014 Budget Schedule

### ***Budget Schedule***

Members of the public were invited to participate in a public hearing on the budget held on Monday, March 11, 2013 at 4:00 pm.

City Council held a series of public work sessions denoted to the right, followed by adoption on May 6, 2013.

2/26	Proposed Budget Presentation (7:00 pm, Location: Council Chambers)
3/4	Work Session: Performance Management (5:30 pm, Location: Sister Cities Conference Room #1101)
3/4	Work Session: Revenues/Expenditures (7:30 pm, Location: Sister Cities Conference Room #1101)
3/11	Budget Public Hearing (4:00 pm, Location: Council Chambers)
3/12	Introduce Tax Rate Ordinances (7:00 pm, Location: Council Chambers)
3/13	Public Presentation of the Budget (7:00 pm, Location: Council Chambers)
3/20	Work Session: Capital Improvement Program (CIP) (5:30 pm, Location: George Washington Middle School Library)
3/20	Work Session: Joint Work Session with ACPS #1 (7:30 pm, Location: George Washington Middle School Library)
4/3	Work Session: Aquatics Master Plan (6:00 pm, Location: Sister Cities Conference Room #1101)
4/4	Work Session: Employee Compensation (6:30 pm, Location: Sister Cities Conference Room #1101)
4/13	Public Hearing on Tax Rate Ordinance and Effective Tax Rate (9:30 am, Location: Council Chambers)
4/15	Work Session: Budget and Fiscal Affairs Advisory Committee Report (6:30 pm, Location: Sister Cities Conference Room #1101)
4/23	Work Session: Joint Work Session with ACPS #2 (5:30 pm, Location: City Council Work Room)
4/29	Work Session: Preliminary Add/Delete (6:30 pm, Location: City Council Work Room)
5/6	Work Session: Final Add/Delete (6:00 pm, Location: Council Chambers)
5/6	Budget Adoption (7:00 pm, Location: Council Chambers)

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